

# HEARING ON SMALL BUSINESS AND THE HEALTH CARE SYSTEM

Y 4. SM 1/2: S. HRG. 103-409

Hearing on Small Business and the H...

## HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS UNITED STATES SENATE ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

HEARING ON SMALL BUSINESS AND THE HEALTH CARE SYSTEM

OCTOBER 12, 1993



MAY 24 1994

Printed for the Committee on Small Business

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# HEARING ON SMALL BUSINESS AND THE HEALTH CARE SYSTEM

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TUESDAY, OCTOBER 12, 1993

U.S. SENATE,  
COMMITTEE ON SMALL BUSINESS,  
*Pittston, PA.*

The Committee met, pursuant to notice, at 2:30 p.m. in the Pittston Convention Hall, Pittston, PA, Honorable Harris Wofford, acting chairman of the Committee, presiding.

## OPENING STATEMENT OF HONORABLE HARRIS WOFFORD, A U.S. SENATOR FROM THE COMMONWEALTH OF PENNSYLVANIA

Senator WOFFORD. Will our Senate Small Business Committee hearing on Small Business and Health Care come to order. I see you are already in order and I apologize for our being late. Time is what you and we have the least of. Pennsylvania is a big beautiful State even on a rainy day. The plane trip took a little longer because of the rain. We had a hearing in Pittsburgh this morning on health care and older citizens.

I am very glad that we are turning to this vital subject this afternoon. I also want to welcome Andy Wallace, representing my senior colleagues, who is here. Andy.

Mr. WALLACE. Thank you, Senator.

Senator WOFFORD. Art, Patty and Joe Triano from my colleague, Congressman Kanjorski's office. And Frank McDonald of the Job Centers of my life, past and present and future. Frank. And other friends, including very much our witnesses. Usually at a Senate hearing we have opening statements from sometimes 10 Senators before the witnesses get a chance. You have only got one Senator today.

But let me give a little perspective on this, if I may. Because the time is at hand, for that which I was sent to Washington to help bring about, the time for action on universal health insurance and dealing with a crisis and skyrocketing costs of our health care system, and the time to turn the right to health care from rhetoric into a reality. It is especially appropriate for meeting in Pennsylvania and we will have five, at least, regional field hearings in Pennsylvania. Because in 1991, we sent a call to this issue on the map.

We sent a call from Pennsylvania to the country that this was an issue that people wanted action on, they wanted people to come together to cross party lines to bring about that action.

We are also the State where Hillary Clinton first began her mission in charge of the Health Care Task Force. She came to our

statewide round table in Harrisburg as the very first act as she went forth to meet people around the State. But it has been a long time getting to this point.

Harry Truman tried to achieve universal health insurance, as I said, universal health insurance, it is not government run health insurance, and he was beaten—that was 50 years ago. And Richard Nixon over 20 years ago tried and was beaten. And they were both blocked by the kind of political gridlock that has kept so many things from happening in Washington that need to happen.

But I truly believe that we are at the point where Republicans and Democrats are going to work together to try to build on the common ground that exists, some of which you will see in the testimony of our witnesses this afternoon. And we will have some big battles over the areas where we disagree, but I believe we have a chance to seize the day and get a health care plan that will end the growing insecurity of health care for most of the American people. Inflation and health care costs is damaging our economy, so is the out of control paperwork and red tape of our present system.

In any case, I first got into this problem as Secretary of Labor and Industry in Pennsylvania, where I saw how most of our labor disputes were turning on the question of health care benefits. And I saw how the obstacle of getting people from welfare to work was that after the job training and the special daycare assistance, they had the perfectly reasonable question to ask, if I leave welfare and take an entry-level job will I have health care benefits for my children and for me. And too often the answer was no.

But when I had the chance to go to Washington to press for this, the issue was whether we would have health care reform. The issue now is not whether. That debate, I think, is over. It is a question of how, and that is going to call for a lot of prudence, a lot of practicality and a lot of courage to find our way through the maze to a victory at the end of this process, a victory for the democratic process.

A year and a half ago I put forth with Tom Daschle of South Dakota my own bill, which happens to be very close to what the President's approach is. But this is not the time for any one Senator's bill to be pressed. It is the time to take the proposal we now have from the President of the United States, and we will have it in legislative form very soon, to hold the kind of hearings that this is one small part of, the kind of national hearings in which all of those interested will have a real chance to be heard, to digest the participation that is going to come from the people in this country on a scale larger than we have even seen I think on any legislative matter because it is such a life and death issue and a pocketbook issue. And people are comparing what the health security card is going to contain, what the health care package will be, how it compares with what they have now, what the costs are, who will pay for it, how it compares with what they are paying now and the costs of the present system. I already think that you are seeing participation from the people greater than we have had in a long time on anything in this country.

I intend to fight to see that the plan that emerges meets the tests that I put forth in my campaign 2 years ago and the tests that I



have been fighting for in my own bill that I introduced a year and a half ago.

But I say again, this is the time to reach out to produce a joint bill. It is not a Republican bill, not a Democratic bill, but it is an American health security plan that will have the support of the great majority of the American people.

Now, we have heard a lot about the impact of any proposal, including the President's, on small business. As a member of the Small Business Committee, we obviously should be concerned greatly about the impact on the prime engine of our economy, small business. We also have to accept and recognize the fact that few elements of our economy probably have a greater need for change in the health care system than small business.

A majority of the workers in this country are getting their health insurance from businesses, including a majority of the workers who work in small business, are working for businesses that are providing health care coverage. And those costs for small business have been going up higher than the cost for the bigger businesses or for the large State, and Federal employee plans.

Small businesses have seen that they are disadvantaged in more ways than one. They lack the buying power of larger companies. Small businesses find that the administrative overhead is a much harder problem for them than for large business. Secretary Bentsen and I visited small businesses in Philadelphia and Pittsburgh the day after the President presented his plans. And the businesses pointed out the amount of time they spend, these are businesses of under 100, on their health care plan, one case, a top manager was spending more than half a day a week in the administrative work dealing with a health care plan. And the CEO of Stockwell Rubber said, just imagine the thousands of businesses all doing this today all around the Philadelphia area. If that load could be taken off of us, what a difference it could make.

It is estimated that administrative costs can be as high as 40 percent of health care premiums, according to some business studies. That compares to about 5 and 10 percent of the administrative costs of health care per large businesses.

Third, in today's insurance market, small businesses do not always have the choice of the lower cost managed care plans.

Fourth, small businesses often have to accept huge premium increases when a single employee has a catastrophic illness. I cannot tell you the number of sad and terrible examples I have heard of the rates going up for a business where one of the employees has had leukemia, for example. The other day, we had a witness telling us what that meant to the rates in that company. I know from experience that small businesses are also, from my Harrisburg days and since then, facing the rising Workers' Compensation costs and the whole problem of paperwork in that and our whole health care system.

Many businesses have a hard time finding any insurer because of industry redlining of occupational groups perceived to be high risk. Now, the Health Care Security Act of 1993 that the President is presenting includes, as some of you know, a number of provisions aimed to reduce health care costs for employers. It guarantees that no employer in a regional health alliance in the proposed Act will

pay more than 7.9 percent of payroll or 80 percent of the average premium in that region, whichever is less. That is not everyone is paying 7.9 percent, if the premium is less than 7.9 percent of the payroll, and for many businesses that will be the case. That 7.9 percent is more than companies which contribute nothing have to pay, of course. They pay zero now. But it is a lot less than what many small businesses are already paying.

The bill is providing additional discounts for small businesses with low wage employees. Hawaii asked all employers to contribute without any phasing in, any transition or any discounts to assist small business to do so. The proposal increases the buying clout of small and medium size companies through participation in the health alliances, the health purchasing cooperatives. And it prohibits redlining restrictions on pre-existing conditions, restrictions or discrimination against small business. And it is designed to increase consumer awareness of the cost and quality of health care and the ability for the employees in the system to choose from a range of choices that in many cases is going to be greater than their choices today, both the doctors and the plans.

Many, I know, believe that all small business opposes all parts of health care reform. As we see today, that is not true. There is a common ground among I think all the players that is much larger than most people think. The players in small business and large business and labor, consumers and in the health industry itself. There are, we will see today, also differences that we are going to need to take our time on, to look at, take a second look and a third look and to explore carefully what the alternatives are to what the President is proposing. And I am going to look forward to working closely with many of you, including our witnesses today, as we move forward. All business is not monolithic on this, interests are different. We do not have with us today the National Association of Manufacturers that is preparing their testimony on the President's plan. They were invited, but we will hear from them later. The National Leadership Coalition for Health Care Reform and the National Association of Manufacturers have been emphasizing the need for universal coverage with universal responsibility in paying for it.

I noticed and commend to you an article in the Washington Post this Sunday. It tells the story of how one small businessman who initially thought it was going to do tremendous damage to his business, when he merely examined the details, concluded it was going to help his small business and that is why he is changing his mind. So we may all of us change our mind on a number of things that go along, and that is why I welcome the dialogue we are going to have today and in the months to come.

It seems to me if Israelis and Palestinians can shake hands and start down the road to peace, we in business and in labor, consumers and providers of health care, Republicans and Democrats, can design a program that does achieve security, savings, simplicity, quality, consumer choice and personal responsibility. That is certainly my goal. I think it is why I got sent to the Senate. I relish the opportunity of working with you to turn that into a reality.

Now, as we participate in what is going to be one of the great public discussions of our generation, let me say that no one, cer-

tainly not, I, thinks that any one health care reform plan is perfect or any one side has all the answers today.

So I am very much here to listen and to learn and to explore the common ground with you to see if we cannot act together. I will be having other hearings: Saturday, October 16 in Homestead on working families and the health care plan; Monday, October 25, in Philadelphia on consumer protection; November 8 in Harrisburg, a field hearing on rural health care. And we have some 20 hearings, national hearings, some of which I will be chairing as scheduled by our Senate, Labor and Human Resources Committee in Washington.

Today on Panel One I have the pleasure of introducing a colleague of mine from Harrisburg, who I believe is a star in State government in this country. In addition to Andy Greenberg's other duties as Secretary of Commerce in Governor Casey's cabinet, he is the director of the Economic Development Partnership of Pennsylvania, which is the group that under whose auspices the Governor developed a health care proposal that is before the legislature and which has been taken around the State in another round of hearings. He has spent a great deal of time on this issue. I greatly respect his judgment and look forward to his insights, Andy and others, some of whose written testimony I have read and studied already, it is tremendously interesting and impressive. Your full statements will be in the record of this hearing. I think the document of this hearing is going to be valuable not only to the Small Business Committee, but to the committees dealing with health care reform. And Andy Greenberg is one of those who I hope from Pennsylvania will be a key part of the crafting of the bill as we go along and advising and coaching and counseling me on my role in it. And I think his work also is putting Pennsylvania in a position to be one of the first States out of the gate when we have a national structure that will empower states to move forward. Pennsylvania started moving forward without anybody empowering them and Andy Greenberg was a key part of that along with Governor Casey. Andy.

**STATEMENT OF HONORABLE ANDREW T. GREENBERG, SECRETARY OF COMMERCE, COMMONWEALTH OF PENNSYLVANIA, HARRISBURG, PA**

Mr. GREENBERG. Well, thank you, Senator, for that nice introduction. And thank you also for giving me the opportunity to testify today. I have left copies of my testimony in the back of the room. I see that my name is not on it, so if any of you are interested in it you might write Andy Greenberg on the top so you remember whose memorable words these are.

I want to talk, Senator, about the President's plan for National health care reform, about its relationship to the Pennsylvania Health Security Act which emanated out of the efforts here in Pennsylvania that you mentioned, and finally, about the implications of health care reform for the business community in our State including the small business community. And as you outlined in your statement these are exciting times.



After a half century of near misses, and not so near misses meaningful health care reform is indeed within our reach in this country. I know you are aware of the actions already taken under Governor Casey's leadership to improve the delivery and the financing of health care in Pennsylvania. The Children's Health Insurance program, the uniform health insurance claim form, increased immunizations for children, better insurance coverage, mammography exams for women over 40, incentives for more health care practitioners to choose primary care specialties.

In each of these areas the Casey administration has acted without waiting for the system wide reform which is now a subject of such attention.

Senator WOFFORD. We heard this morning, vivid testimony also about the family home giver program.

Mr. GREENBERG. You heard from Secretary Rhodes.

Senator WOFFORD. Another one of a list of programs where Pennsylvania is truly a pioneer and is recognized as such.

Mr. GREENBERG. I take a minute, Senator, to mention these initiatives because I believe they make Pennsylvanians better off and the Commonwealth itself well-positioned to be a leader in embracing the principles of change embodied in the American Health Security Act. I think it is also worth taking a minute to note that there probably would be no National debate for us in Pennsylvania to be part of were it not for your own efforts over the past 2 years.

It now seems obvious that our President and congressional leaders would make this a matter of urgent priority. The costs which now take 14 percent of the gross national product and which have increased at three times the general rate of inflation. The 37 million Americans and more than one million Pennsylvanians who have no health insurance and the millions more who fear about losing theirs. In view of this enormous impact, it now seems obvious to us that this would be a subject of immediate attention for government, but it was not obvious and it was not being done until you put into very clear words the fear and expectations that Pennsylvanians had about health care. And I would like to say that your continuing leadership on this issue is a great asset for our State and I am pleased to have the chance to share some thoughts today.

I am going to talk about three things: Health care as a competitiveness issue, the impact of the Federal and State reform proposals on businesses and, briefly, a comparison of some of the provisions of the Clinton and Casey plans as they bear on small business and other employers.

First, health care as a competitiveness issue. President Clinton is absolutely right. If you are for economic competitiveness and for economic security, you have got to be for basic change in how health care is delivered and paid for in the United States. It is a National competitiveness issue. While we pay 14 percent of our economy for health care costs, none of our principal economic competitors pays more than 9 percent. That means that in the global economy our competitors and their businesses have 5 percent more of their wealth for productive investment in education, in roads and bridges, in fiber optic wiring, environmental technology, plant and equipment, and research and development.

Unless, we can recapture some of that differential and use it to pay down our National debt and begin to invest more aggressively in these areas, our entire economic base will be operating at a widening competitive disadvantage. That is a real issue and it is a long term issue underlying this whole discussion of health care reform. Of course, this is also a competitiveness issue for individual firms. Over the past decade large employers have had some success controlling costs by moving to the managed care model embodied to a great degree in both the National and the State security acts.

But what about the smaller firms that are the subject of today's hearing? As you know, they lack the bargaining power of larger employers, and they are the ones that have been most punished by the health care cost spiral. And in business terms they are the employers least able to pass these costs on to their suppliers or their customers. Because the Governor recognized the interrelationship of health care and economic competitiveness he asked our Economic Development Partnership to take a lead in developing a health care reform plan for Pennsylvania.

You are familiar with the nine-member committee chaired by Jay Tolson, the Chairman of Fisher and Porter Company, and Bill George, the President of the State AFL-CIO. You attended and participated in one of the first hearings of that committee and it began its course in the Fall of 1991. The group produced its report in November 1992 and after its release, the members of the committee embarked with the Governor and others in the administration on a series of hearings around the State to begin the process of collecting public input which in turn has led to the Pennsylvania Health Security Act. While there are differences, the legislation closely follows the broad structure outlined in the Economic Development Partnership report. Like the American Health Security Act, the Pennsylvania Act guarantees every citizen a comprehensive package of health insurance benefits.

Now, the impact on business of all this, of course, is a great concern for those of us who care about the economic development of our State. For large employers the most critical issue has been whether or not they are required to be part of the large community rated pools to be established in each region. A large employer does not need to be part of larger purchasing group to get the benefit of capitated managed care. Indeed, being part of a larger pool could mean less control on health care as a business cost and a greater exposure to cost shifting. However, letting large employers go their own way means that the proposed regional health alliances will lose the impact of the most resourceful payers, their bargaining power and their generally healthy employees. This will create a revenue shortfall that needs to be made up from other sources. The Clinton proposal would let employers with 5,000 or more employees form their own corporate health alliances. While the Pennsylvania Act does not provide any such opt-out now, we have said that we will follow the national standard on this issue. We got into this entire subject to make business in Pennsylvania more competitive, not less. We simply will not put the State at a competitive disadvantage through our enactment of health care reform.

The main issue for small business, of course, is the requirement that every business offer health insurance as a feature of employ-

ment. The Clinton and Casey proposals both have such a requirement and both provide subsidies for employers least able to afford the added expense if there is added expense. The Economic Development Partnership Committee spent more time on this issue than any other and we concluded that in an ideal world it very well might make sense to move away from employer-based health care. And therefore, to move away from the need for a requirement that employers provide the health insurance benefit.

But the fact is, we are not starting at ground zero. We have a health care system where the vast majority of people are insured through their employers and most are satisfied with this arrangement. It is why just about all of the groups involved in the health care discussion agree that universal access must be a goal of health care reform. Since three-quarters of the 37 million people who are uninsured are either employed individuals or their dependents, our committee—and remember this is a committee dominated by business people—concluded that the most efficient way and really the only way to pick up the uninsured is by extending the current employment-based system. That is, by requiring that the balance of those employed be covered by their employers.

We did not reach this conclusion casually. We reached it in full recognition of the costs and mandates that already weigh on small business. For a number of reasons I continue to believe that health care reform featuring an employer mandate still can be a plus for small business in our State. First of all, according to a Blue Shield survey of small business, 80 percent of Pennsylvania firms employing 50 or fewer already offer health insurance. Many firms that do not would like to, or have in the past but cannot afford to any longer. These are the small businesses that now pay the highest rates, as you noted in your statement. The Clinton and Casey proposals would give every entrepreneur and every small business person the benefit of the bargaining influence now enjoyed by our largest public and private employers.

Second, it is important to remember that many smaller establishments, the so-called mom and pop businesses, do not offer health insurance because the members of the family working in the business are insured as individuals. Well, these same families also see the higher rates and the lack of security that characterize the present system. They are among those most at risk of losing their health benefits.

Third, We see every day that health care coverage is now every bit as important as wages to employees and sometimes more so. The small firm that is now priced out of the health care market often cannot compete for quality employees.

Fourth, the administrative burden which falls so heavily on small businesses is relieved by the American Health Security Act and by the Pennsylvania plan. Right now every business in effect is in two businesses. One is its main reason for business operation, the other is the business of health care. It absorbs time and money and staff resources. To a great degree our approach to reform lifts that responsibility from the backs of small business. And that is a real dollars and cents issue.



When I said that I wanted to wind up by comparing the Federal and State plans on a few chief points relevant to business, there are really three that I wanted to talk about.

First, the subsidy for small businesses. Once you reach this you get a conclusion that an employer mandate is necessary, you have a responsibility of containing its impact on businesses that cannot afford to pay the full bill. The Casey plan defines small businesses as those employing 25 or fewer and caps its subsidy at 7 percent of payroll. The Clinton plan defines small businesses as those employing 75 or fewer. And it varies the subsidy from 3.5 percent to 7.9 percent. Small businesses paying workers \$24,000 a year or more would pay the top rate, so for those businesses the Clinton subsidy would be less generous than the Casey plan. For those earning less, the subsidy would in many cases be greater.

This bears closer examination as the State law is negotiated. While I see differences in detail I think that the approach taken between the two is quite similar.

Second, the employers' share of the premium. The Clinton plan requires employers to pay 80 percent of the average rate of premium in a given region. The Casey plan set the employer share at 90 percent, but of the low benchmark premium in the area, not the weighted average. A preliminary analysis of the two proposals suggests that the result is not a substantial difference. Clearly, though, on the small business subsidy and on this issue we need to make certain that health care reform does not put Pennsylvania at a disadvantage relative to other States.

Finally, the Clinton plan does not provide for competitive bidding, which is the central premium-setting mechanism in our plan. In the Federal proposal, premiums are set through negotiation. States and regional health alliances can impose limits and there also would be a National health care budget. The National Health Board would calculate a per capita premium for each region. My own view is that the more market oriented approach is the better way to go.

Obviously, there are other issues bearing on business and other differences between the two plans for us to address. I appreciate the opportunity to testify this morning. Thank you for your attention.

Senator WOFFORD. Thank you. Would you compare the structure of the purchasing cooperative to alliances or I think you called them partnerships, and you have a State entity and is it eight proposed regional partnerships?

Mr. GREENBERG. Yes.

Senator WOFFORD. If you compare the two structures it would be helpful.

Mr. GREENBERG. Our structure is slightly different. Under the Federal plan, I understand, it would be up to each State to develop the structure for the delivery of the basic package. In each state, regional health alliances—in effect, buying cooperatives—would be formed. Going back a year ago in the health care debate, these were the animals known as HIPC's, health insurance purchasing cooperatives. The Clinton plan also proposes that the large employers would have the opportunity to form their own purchasing groups by establishing corporate health alliances. In our plan, we decided

not to establish this additional layer of organization. That is, not to establish formal buying cooperatives. In each region, we would certify networks of providers who would be capable of providing the basic package and meeting the quality standards set by a State Health Security Corporation, but we would not aggregate the buyers the same way. Our assumption is the competitive bidding process would produce a cost savings for large employers and smaller employers in the community-rated pool.

Senator WOFFORD. As in the Clinton plan the employees and consumers in a region would have a menu of choices to choose from each year?

Mr. GREENBERG. In terms of what?

Senator WOFFORD. Which plan leads to different costs?

Mr. GREENBERG. As I said at the end of my testimony, we place much greater stock in competitive bidding processes as the mechanism for setting the price structure in the different regions. This clearly will be much easier to come by in southeastern Pennsylvania, the southwest and other more densely populated areas of the State. It is a more complicated issue in the more rural parts of Pennsylvania. The way that our plan would operate would be that competing networks would form within a given region. For example, Blue Cross might form a network in this area, Geisinger might establish another one.

Senator WOFFORD. And there might be 10 others?

Mr. GREENBERG. There might be 10 others. My assumption is probably that number would be less than that. But conceivably there could be. They would then be engaging in a competitive bidding process, set a benchmark bid in the region. For the sake of simplicity let us say that there were only two in this region. One came in and said that it could deliver the basic package at an average individual price of \$1,500 a head. The second network said that it can deliver the package at \$1,800 a person. It would not be winner take all. That is the lower bidder would not get to serve the entire region, but that low bid of \$1,500 would become the benchmark, that would be the amount of the capitated payment made on behalf of each individual. The second network would not be closed out but would be frozen at the \$1,800 price. They would then have the responsibility of convincing individuals that based on quality of service and other factors, that there was some justification in reaching into their pocket for the \$300 differential.

Senator WOFFORD. It may be helpful just to clarify the two plans. Once a year the consumers would have that choice of competing plans?

Mr. GREENBERG. Yes, that is right.

Senator WOFFORD. And they would then, if they chose the more expensive one, they would pay the difference?

Mr. GREENBERG. Yes.

Senator WOFFORD. The Clinton plan would have once a year, the employees, the consumers, choose from whatever the bids were on the competitive bidding. And there might be three or there might be 23 plans that they could choose from. And the only difference from what you have just described is, in that sense, would be that the Clinton plan has the employer contributing 80 percent of the average premium chosen by the consumers. And if, therefore, a



consumer chose a lower cost plan, they would pay less than 20 percent, maybe 10 percent. If they chose the more expensive plan their proportion might be 30 percent.

Senator WOFFORD. That is probably right. And if the difference would be that in Pennsylvania the employer share would be 90 percent. But 90 percent of the low.

Mr. GREENBERG. Ninety (90) percent of the low cost.

Senator WOFFORD. Versus the 80 percent of the average.

Mr. GREENBERG. Eighty (80) percent of the average.

Senator WOFFORD. In both cases there would be the competitive bidding. The employer would chose from whatever the bids were from the competing plans.

Mr. GREENBERG. You may be able to educate me on this one because my reading of the Clinton plan is that there would not be competitive bidding among networks in the same way that we structured them in Pennsylvania. There would be a process of negotiation between the health board and the various certified health plans in the given region; is that not correct?

Senator WOFFORD. There would be negotiations to see that the plans were offering the standard benefit and comparing information and preparing the report card. But the individual consumer would have the choice of whatever the bids were on the plans that were certified as qualified plans by the regional alliance.

Mr. GREENBERG. I think that this is one area where Pennsylvania has some intelligence to offer to the Federal discussion based on the work we have done over the past couple of years. It is very clear to me the degree of acceptance that businessmen and women have for health care reform has a lot to do with how much they see the arm of government reaching in.

And I think that our plan succeeded in getting a fair degree of support among the business members of the Economic Development Partnership Committee because to such a great degree, we put faith in the marketplace. It assumes that a competitive bidding process will work, the State board would not be the banker. After employees selected among the different networks, employers would write checks directly to the networks themselves and then there might reconciliation at the end of the year. I think that market-driven approach, where most of the money stays out of the hands of a public or a quasi-public agency makes a lot more sense to business people. And the view of business people I have talked to, is that to the degree that you can rely on competitive forces and get away from National health care budgets or anything that seems to approach the setting of price ceilings or targets would be desirable.

Senator WOFFORD. Leaving the National budgeting and the capping of the premium increases and the stop gap aside, in terms of the structure I in representing Pennsylvania to the best of my ability, I want to make sure that these regional purchasing cooperatives, whatever they are called, alliances, be nonprofit corporations, not government entities. And so that in the Clinton plan the checks or the electronic billing from an employer or an individual to the purchasing alliance would not be to a government entity but it would be to a nonprofit corporation in which business and consumers would be represented.

Do you have any proposals as to how to structure those regional organizations as to who would be managing them and so forth?

Mr. GREENBERG. The Pennsylvania Health Security Act would have the Pennsylvania Health Security Corporation collecting the payments from employers and from individuals and then paying them out to the network based on where individuals chose to enroll.

What we described in the Economic Development Partnership report was different and I actually think it was kind of an inventive way of dealing with employer apprehension about sending money into these new administrative creations, whether they are in government or outside government. Rather than writing their checks to the Health Security Corporation, they would write checks to the networks in a given region based on the number of employees who subscribed in the different networks. And then the extent of the involvement of the corporation would be to step in, say, quarterly and review where the money had been paid, in the same way that you do not send your entire income into the Internal Revenue Service. You estimate your taxes and they say you owe us or we owe you more. And that would be the extent of the role of the corporation and it would mean that the lion's share of the money in the system would pass from private hands into private hands without cycling up into the corporation. And my own view is that it would be the better way to go.

Senator WOFFORD. But as you just described, it would mean that a business would have to write a number of different checks to the different networks or plans chosen by the employees whereas in the Clinton proposal there would be just that one standard average premium per category and the one electronic billing to the health alliance. And the corporation would not be dealing with a lot of different plans, so there are trade-offs there as to which is the simplest.

Mr. GREENBERG. I think it depends on how many networks you think there are in the region.

Senator WOFFORD. Why do you think that there would be only 2 instead of 22?

Mr. GREENBERG. Well, I think that this gets at another difference between State and Federal proposal. We ended up stipulating that any network mounted had to have the ability to deliver health care throughout eight relatively large regions across the State. Now, they would hire other contractors to deal with particular areas, or particular populations where they had some expertise. But in reality there would not be very many organizations that had the resources or the economies of scale to oversee a network in an entire region. I do not think it is an accident that we came to that approach when we decided that we did not want to have regional buying alliances. Once we said no thanks to that, it was clear to us that we were going to have to have more administrative muscle in the networks themselves. So we made a requirement that a network serve a larger region, which would lead to fewer networks.

Senator WOFFORD. Some of the critics have said that the purchasing cooperative alliance is something that does not exist in nature, so that we are speculating about it. Except that the closest model may be the California State employee's retirement fund, which has

about 800,000 members and uses its big purchasing power to get bids and to bring down costs and gives the employees a choice each year. And I think they have 22 different plans that bid in the calipers program. So it is hard to predict what would happen. But have you not had doctors concerned about being swept into these big networks?

Mr. GREENBERG. Sure. We have heard that concern with regard to the alliances themselves. But even within our State we have examples of purchasing cooperatives which have been formed in places like the Lehigh Valley and Washington County in southwestern Pennsylvania. The concept that buyers can concentrate their bargaining power and achieve cost savings is not hypothetical. It is at work already in Pennsylvania. The question that I think we have to ask is whether you need legislation enforcing the structure of cooperatives. And, you know, it was a close call within our committee, whether or not to include regional cooperatives or alliances. But in the end we decided not to do that and instead to give more responsibility to the state health cooperative and the regional provider networks.

Senator WOFFORD. I have let us go on partly because I am so interested in the comparing of the Casey plan and the Clinton plan. In the President's proposal, like my own bill it would give a lot of autonomy to the states to chose the structure.

And I think since Pennsylvania has one of the real pioneer state plans that it is not a waste of anyone's time here to see the comparison, because as we go forward it is going to be very important for Pennsylvanians to know how the Governor's economic development partnership proposals mesh with the National proposals and it is important for me to know where the discrepancies are and where we can learn something from the 2 years of work that you and the task force did on this, so I appreciate your testimony a lot.

I will ask one last question. In this whole debate it is going to be not the proposals versus an ideal plan. It seems to me the real test is the existent system and where we are headed there versus whatever improvements or changes we make. Would you weigh what would happen if there is not a universal employer mandate and the present system in which some employers contribute and some do not. I have had the concern that if there is not a universal mandate the experience I had with increasing labor disputes, turning on employers trying to get out of the contributions and reduce the benefits would be a mounting process that would increase the problems of labor management relations and a competitiveness for those businesses that continued to offer health insurance to their employees while perhaps an increasing number are not.

Mr. GREENBERG. I agree with you. I think there would be another way to go. It would be possible to imagine a health care reform program that achieved universal coverage access by moving in another direction. Rather than having an employer mandate you do three things: One, establish a children's health insurance program like we have in Pennsylvania. Two, eliminate the ability of insurance companies to deny coverage based on a pre-existing condition. And then three, establish something like unemployment compensation that would carry people over during some transitional period. One could make an argument that you take those three measures and



then step back and see what happens to the numbers of uninsured. I still believe the result would be less desirable, than acting now on comprehensive reform that guarantees universal access over a set period of time. I come reluctantly to the conclusion that the only way to do that is by requiring that health insurance be a condition of employment. I say this reluctantly because I am out there every day talking to employers who are facing real competitive pressures and are not looking for increases in their fixed costs. We need to find a way to deal with this reality, but I see no better alternative than what I have outlined in these proposals.

Senator WOFFORD. Thank you. You accept your last point which is that there is time for us to be genuinely open to alternative ways in reaching the same goal. The goals have now become widely accepted and we are going to hear of alternative approaches this afternoon. Thank you.

Mr. GREENBERG. Thank you, Senator.

Senator WOFFORD. On Panel Two, next Samuel Kuttav, am I pronouncing it right, Sam, the owner of the Delaware Valley Security of Philadelphia, and Brian McCarthy, the owner of McCarthy Flow-ers of Scranton. And I appreciate very much getting the testimony of people who are having direct firsthand experiences with our current health care system. And I suggest that, Sam, we will begin with you and then to Brian.

#### STATEMENT OF SAMUEL G. KUTTAB, OWNER, DELAWARE VALLEY SECURITY, PHILADELPHIA, PA

Mr. KUTTAB. Good afternoon. Thank you first, Senator, for allowing me to come here and share some of my frustrations as a business owner in Pennsylvania. Presently and for the last 9 years I have owned and operated Delaware Valley Security, a guard service business in this State which employs about 150 employees. I would like to say that I am very excited about the recent attempts to tackle what I believe is one of the biggest problems facing our country, the health care system. As a small business owner and as owner of a security company, one of the problems we face is the inability to provide proper benefits, mainly health care benefits.

When we first started our business we had hoped to stand out in the industry as being a quality business that can provide its employees with job security. Our attempt was doomed to failure because of the competitive restrictions that our whole industry faces. At first we attempted to provide health care benefits with our company paying 80 percent and employees paying 20 percent. This attempt quickly had to be changed in order to be financially viable as a business. Then we went to a 60/40 arrangement and that had to be changed also. At that point we went to 50/50 arrangement and at that point many of our employees dropped out of the plan altogether.

The health care benefits that our business provided constantly kept on dwindling until it was no longer feasible for us to provide this benefit. We had attempted to provide a bonus package to the employees which would go to supplement their health care needs. The problems with that was since the employees had small amounts of benefit and bonus coming from us, they never went out

and bought the health care. Our business had to find different companies for about two and a half years. And for those two and a half years we faced different restrictions, different problems, different obstacles. And our company could not afford it, we just could not afford to get any more. The bonus system was merely to supplement the income of the employees without them being able to buy an affordable health care plan.

In recent years, we have attempted to provide health care to our office personnel as part the benefit package. Again, we were faced with the uncontrollable cost that made it unrealistic for us to provide a health care package. During these years of dilemma of finding affordable health care we were racing with an estimate of 25 percent yearly increase in our health care costs. With that at hand we no longer attempt to provide health care benefits, we had to compete with the rest of the industry at equal footing. Our profits dwindled to a halt, our business shrunk and in order to stay in business we were forced to eliminate altogether these benefits.

On a personal level, I had to find my own insurance outside the company. This also proved to be a major adventure. Finding a health care package is dangerous grounds, in order to get a competitive cost plan one had to belong to a group. Unfortunately, at times we had to join group plans that belonged to uncommon organizations just to get the rate acceptable, even at that the health care package lacked in substance. Because of the nature of our business we are constantly bidding on contracts in a very competitive industry, thus we are forced to constantly shake the extras such as health care. The result is a lower quality work force that is constantly changing and looking for new opportunities in the hope of finding better employment which will give them benefits.

In the past, we have had numerous quality employees that have left our employment either to go to a better paying job, a lower paying job with benefits or leave to go on welfare. These employees are quality employees in which we have felt the loss when they have made the decision to leave our company. It was always acceptable to see employees who have found better paying jobs and have moved up the ladder. This is an accepted result of quality employees and restrictions on our industry. However, the employees who have left our business for a lower paying job is discouraging. Our business is constantly hurt by the loss of quality employees. Even when we attempted to provide benefits like vacations and sick days, still the most important factor is health care and the ability for an individual to know that in the event of a disaster he can find adequate medical service that will not destroy them financially.

One of the saddest things I have seen as a result of the health care system is having to lose an employee to welfare. One can accept losing able bodied employees to better paying jobs or to jobs that provide better benefits, however, it is sad, disappointing and frankly sickening to have to lose employees who are able bodies and want to work but cannot afford to have their families go without health care. As a result they are forced to go on welfare so they can qualify for medical care.

In the past 9 years, I have lost about 50 employees in such cases. I find that sad and down right disgusting to have people dehuman-

ized to the point of not working so that they can get health care. People in this country can no longer afford to live without the insurance. They are forced to secure health care even at the expense of giving up their dignity. The present health care system in this country is dismal and a disgrace to this great big money power. When it comes to health care we are faced with playing Russian roulette and we hope when it comes to our turn the bullet is not in the chamber.

Having a national health care strategy will force all employers to provide health care insurance. Businesses now can compete on an equal footing. Now, when we bid we do not have to worry about our competitors not factoring his costs. More important, we the people in this country will have adequate health care. What is the use of having fancy procedures and modern technology if we cannot afford it or is the health care system only for the wealthy.

The problem with health care is not just insurance companies or employers not providing health care benefits, the problem is the industry as a whole. It is mindboggling to hear how some hospitals charge \$20,000 for a particular operation while others charge \$80,000 for the same procedure. This is robbery, stealing and if it was a different industry it would be criminal. Even though health reform will mean higher costs to me as an employer, I believe it is in the best interest of all that the processes that Senator Wofford and now the President are embarking on be completed. We need the comprehensive health care reform in this country and we need it now. Thank you.

Senator WOFFORD. Thank you very much. Brian McCarthy of McCarthy Flowers.

#### **STATEMENT OF BRIAN McCARTHY, OWNER, McCARTHY FLOWERS, SCRANTON, PA**

Mr. McCARTHY. Mr. Chairman, I thank you for the opportunity to address the problem of my business and its employees in having a current health care system. I am Brian McCarthy, owner of McCarthy Flowers.

McCarthy Flowers began its operations in 1952 and is going through its most rapid growth period during the last 6 years. Today, we consist of eight wholly owned or affiliated retail flower shops in Lackawanna, Luzerne and Lycoming Counties. These stores go by the annual volume of two million dollars and plus annually. McCarthy Flowers is reported to be one of the largest flower companies in all of northern Pennsylvania. Presently we have 20 full-time employees and approximately 15 part-time.

McCarthy Flowers became a trial program, an employee health care program in the early 1980s. After competing in an industry consisting of some 47,000 retail florists Nationally with the vast majority of those retail shops being ma and pa stores, not providing any health coverage whatsoever, we still decided we must do something. Doing something for some of the staff would certainly be better than doing nothing at all. Since the inception of our very first program which has been available to the worker himself and not to his entire family, and in many cases just the top managers and floral designers, the cost of this coverage has increased some



150 percent in the last 12 years. The unfortunate part of this fact is that instead of allowing more employees to go into the program at entry level, more and more dollars are being thrown at covering those employees already in place because of the skyrocketing premium increases.

The other particular problem we have encountered at McCarthy Flowers is the fact that our prices have risen only 10 to 15 percent during the same period of time. So we have not been afforded the opportunity to pass these health care costs on. Why? Why such staggered pricing in retail cut flowers? Competition. Not from stores like ours alone, but from chain stores, grocery outlets and even street vendors. So despite this, how has our company grown the last several years with such leaps and bounds, by keeping tremendous cost controls on all controllable variables. And I emphasize the word controllable. By using our continued volume increase for pricing advantages, by staying open every evening, every Sunday and every holiday, 365 days a year to make better use of our fixed expenses such as rent, insurance, heat, property taxes and the like. To keep competitive in a non-necessity business such as ours, let us face it, flowers have to be an affordable discretionary purchase. And we must be able to compete fairly. If our competitors do not offer any company paid health insurance then they begin at a cost advantage. And according to most industry surveys, most of the 47,000 florists in the United States do not offer such coverage. If we want to continue to grow exponentially we must stay inexpensive. If McCarthy Flowers spends 11 percent of our monthly payroll costs on the limited health coverage we now offer, we realize that we must limit ourselves in our other operating procedures to stay competitive. Fortunately we do, but that is not enough. I feel that we need to offer health care coverage across the board just like we offer Workers' Compensation and unemployment compensation to our staff.

We need to know that McCarthys and their competitors must bear this as a percentage, as a fixed cost of doing business. And employees must also learn to share in a system, its benefits and its costs. We also need to attract displaced workers from the unemployment roles, retrain them in a small business environment like ours. But many who could lead the ranks of the unemployed hesitate to join our company. Perhaps we can compete with a salary level at which they are accustomed but we cannot afford their entire family plan along with the dental, eye glass and prescription plan many of those employees have been accustomed to in their past jobs with larger companies.

So more often than not an employee will turn down an exciting promising offer that we extend to them, instead waiting for a large concern to come along and offer full health coverage. When that large concern never surfaces we see the unemployment compensation funds drag for months longer and a company such as ours, poised for growth, loses the potential talent of that seasoned worker. A recent example, an 18-year experienced manager lost his job with a larger local company, then he was forced to start hitting the unemployment trail. We offered him a salary level just about identical to that which he was making in his past job and most unfortunately because of the health care issue and because of all the

benefits he and his family were enjoying, he decided to sit back and wait to see if something better came along. And unfortunately today, to the best of my knowledge, that individual is still on the unemployment compensation role. Because nothing has surfaced for him.

If a small business such as ours is truly a source of economic growth of this country, we must not let the peace of mind, the security of an employee knowing that his family is fully covered in case of a medical emergency, come between us.

We must be able to bring a willing worker together with a willing employer without exorbitant health premiums blocking that. Equally important it cannot be demanded that certain businesses compete in an environment where similar rules do not govern their competitors. Flower Shop A should not be forced to compete with Flower Shop B if both are not required by law to pay equitably.

Today, McCarthy Flowers and companies like ourselves around this country are positioned to succeed into the next century. What good businesses don't need is more of an uncontrolled hodge-podge system that causes a fear that permeates the present work force and management team. McCarthy Flowers needs a program that will allow us to make rational and informed choices about the most vital issues facing our aging employee population today. With the spirit of harmony that is gradually strengthening in this health security act debate, let small businesses and large businesses alike stand behind a consistent, understandable, logical program for the mutual benefit of all parties.

In concluding, Mr. Chairman, our company has been around for over four decades and has solved crisis after crisis, year after year. The difficulty with this crisis is that the variables are too complex for any one businessman to understand. And its ramifications are too severe if we stay on the course we've been on. We need our government with its vast resources to condense the multitude of those variables so that we business owners can understand and help perpetuate this much needed reform for our present health care system.

I thank you.

Senator WOFFORD. I thank both of you for your candid, thoughtful presentation of your own experience. Do I gather that flower shop marked McCarthy, whether that is B or A or C, if I followed your figures and if the proposals from the Hillary Clinton/President Clinton task force standup, would benefit? Did I hear that you are now, for limited coverage, paying 11 percent in payroll? So that if for not more than 8 percent of payroll, a coverage that would apparently be more extensive than yours and would have preventive care as part of it, would be clearly better in your circumstances.

Mr. McCARTHY. Absolutely. My only fear, Senator is that I remember reading in the history books some 70 or 75 years ago when they proposed the first Federal income tax percentage, and some very astute congressman stood up and said, what happens if it ever goes above 1 percent, what will happen.

Senator WOFFORD. Yeah.

Mr. McCARTHY. We look back on those days and see what has happened. But certainly the 7.9 percent, to answer your question, would be a great windfall for our company as well as a great peace



of mind for those employees who are presently not covered and there are employees that are not covered on the same plan.

Senator WOFFORD. I think one thing that's happening is that the direct front-line level of business experience, the inflation in health care cost is now being vividly felt by businesses, by unions who are reaching the point where they perceive but don't laugh very much when they see the cartoon of the personnel officer who says to the new employee, well, you see with all the health care costs, no wages go with the job. And families with their costs and then our National budget to date, all of that has led to an understanding that inflation three times the cost of living in our total health care bill is something you cannot sustain.

And the National budget pressure which says that unless we can control the increases of health care costs, our deficit is going to go up. If we all understand these facts and they are serious about it we are going to have to have the directives to see that it does not go up from 8 percent to 15 percent. Some of our large corporations are now paying 15, 17, 18 percent of their payroll in health care costs. And the goal that I think we all agreed on is bringing down that inflation in health care costs. But I accept your warning very much.

One question directly to Sam. You tried the idea of bonuses for your employees, it did not work as you were describing. Are you aware that one of the alternative proposals to the universal health insurance mandate that is circulating in Congress very seriously right now is to give tax incentives for individuals to set aside savings for health expenses later like the individual retirement accounts. It would leave it up to the individual then to provide their own health insurance. From your experience do you have a comment on how you think that would work?

Mr. KUTTAB. The problem we had is that when we did give those bonuses out, they were monthly bonuses to supplement, it just never went to health care. It went for everything else. And once we realized this we cut it out all together. To me, it is very easy when you get \$100 extra a month just to grab it and go shopping with it or to pay a bill with it or you would have to be awfully disciplined to just put that money aside for your health care benefits, buy insurance and so forth. So in my experience this was really not a worthwhile investment for us to have. So I hope that it does not go through you folks.

Senator WOFFORD. Brian, I gather you have stayed with your stated health care plan over time. So many employers have been shopping and changing and trying to find a lower cost one each year, why did you stay with a relatively high cost, perhaps, and limited coverage plan?

Mr. MCCARTHY. I think one of the most difficult things, Senator, is that I can shop for flowers and I can shop for plants because I understand the system very well. I don't understand the health care system at all. And my hesitancy is, I don't think most of our employees do either. So there seemed to be a certain relief by knowing that the plan that is enforced right now is Blue Cross/Blue Shield major medical plan. I'm not promoting to have any one plan but that seems to be the most relaxed, you know, less grief given plan that I could possibly offer the employees. If I were to

shop around with several of the insurance companies and have to continually try to convince the employees from their perceptions that it is as good as the present plan they are in, I think it would be wasting a lot of very valuable time. And also I am not 100 percent sure I would win their confidence in that battle.

Senator WOFFORD. One of my wife's reasons for making the same choice as you are making is that it is so difficult to compare different plans and so complicated under the Federal, like the State employee choices they are given. One advantage of the health security card with a standard package is going to be that there will be an ability to compare plans on service and consumer reports that are supposed to be one of the functions of the health alliances on consumer satisfaction with the health care plan. If they are the same benefits then you do not have to measure all kinds of different benefits. Along with the savings that a smart card may produce in terms of paperwork that can be saved by a card that can go into a machine in any doctor's office or hospital and avoid—when I was a billing clerk for a day in Jefferson University Hospital they first put me in the admissions office and sometimes patients are followed into the operating room with someone with a board with a form saying, what is your Social Security Number and how are you going to pay for this and information that could be on standard electronic card available, access to it anywhere. And then the possibility of a standard billing form because there's a standard package in terms of the savings is enormous. But it would allow you to shop around. Of course, under the President's proposal, like my own approach, it would not be you anymore that would be shopping around for insurance, employees each year would have a choice of plans. And you would not care because you would be paying an average 80 percent of the premiums in that region.

Mr. MCCARTHY. It would certainly make it a lot more understandable and I think the employee deserves that advantage. I think the complicated world that we live in today in fear for their health safety, I think anything we could possibly do to bring this decision closer to the employee themselves is a very prudent decision on the part of our business and government. So I'm all in favor of trying to simplify that process.

Senator WOFFORD. Now, I understand that Sam is saying that if it could be universal and your competitors were doing the standard and it was not a 20 percent increase a year but it was a standard package and with the inflation under control, that you would favor and you would be able to manage with making a contribution that you have now given up.

Mr. KUTTAV. Absolutely. I understand I am in a condition here of advocating something that a lot of people in my industry are not necessarily advocating for. And I understand this will drain profit from a business. However, one, if the thing was universal, everybody else has to pay it. Two, we really need this. This is something that is destroying our country, the fact that we can't get reasonable health care coverage is not right. And on a personal level I'm advocating for this, I am very excited about it. But on a business level I see that we will have quality employees that will stay with our business and we will give them job security and I do not have to worry about my competitor, you know, slashing the prices. In

our industry the lowest price gets the job. And if everybody had to compete on an equal footing, it's a blessing.

Senator WOFFORD. Do either of you have anything else you would like to add?

Mr. McCARTHY. I would only like to emphasize that I agree 100 percent with Sam on the quality and as I mentioned in my testimony, the quality of the bidding process. We are a very cost conscious society today and a very educated consumer society and in order for us to try to remain competitive we have to continue to do things on equal footing. We hear all the time about businesses and they are competing with someone who is hiring illegal aliens and all different types of other, you know, underhanded operations in order to keep labor costs down. And all we want is to keep things completely above board and I think it is very vitally important that what Sam suggested and what I suggested in my testimony is most important and most urgent. And that is to put it across the board that all business owners must compete on the same footing.

Senator WOFFORD. Let me give you a hardball instead of a softball in my point of view. What are your concerns that you had that you would like to make sure that I follow. You have already given one, that we do not start small and then it is out of control.

Mr. McCARTHY. There is many things in the plan that I am still not aware of and perhaps have not been ironed out yet, but personally I am wondering what happens to employee health care premiums when the employee is laid off through no fault of the business itself. I am also wondering what impact it is going to have on the Workers' Compensation. I know that this plan is designed to have an impact on the medical benefits of the Workers' Compensation side. And those specifics I have not been able to discern yet from the plan and I think I am equally concerned about what happens when employees decide to retire, should they decide to take early retirement, you know, what role on business, that they did work for us, go into play and that premium stance and how we continue to help them through those either sick times or early retiring programs or even the layoff times.

Senator WOFFORD. The President's proposal, it is going to be one of the most controversial matters I think, is that retirement between ages of 55 and 65 would result in the health alliance paying for the employer's part of the 80 percent instead of the employer. If the employer had a previous contract to pay retiring benefits the employer would pay the 20 percent. One of the largest subsidies in the proposed plan, the new costs, is this retiring benefit, which has various tradeoffs which you could consider. It may increase the number of people retiring early, it will certainly increase security for those who retire early.

And sometimes retire early under a new plan, the restructuring and the company that wants to get early retirements and then get fresh lower cost workers in at the beginning. I think that is going to be looked at very hard and long. A number of you will be interested and concerned on where we come out on that point.

I have been very involved in the question of retiring benefits because more and more in Pennsylvania we are finding workers that gave up wage increases or salary increases for health care benefits that would be with them in retirement and are finding under the



pressure of costs that companies are canceling those retiree benefits and they are out in the cold. They have retired and they are out in the cold. Thousands of workers in Pennsylvania—and I have a bill to stop that measure, to make it easier for them to keep those plans in place until we get a solution to this problem in health care reform.

But you can be sure that it is going to be examined with care and costs and the advantages or disadvantages of doing it. What would be the affect on your business and your other points need to be my concerns too. I had once as Labor Industry Secretary under which Workers' Compensation came and we were moving into some of the problems that the legislature and the Governor have been trying to solve right now. And so I know how vital that is to how great the costs are. The proposal is that the health—the expenses of Workers' Compensation would be part of a 24 hour coverage and that it should have good effects on the lowering of Workers' Compensation costs. It is very complicated and I am sure that will be one of 20 other crucial fields that with the next six months we are going to have to look at long and hard.

What would be the affect on your employment practice rights if—well, this is most pertinent to Sam, but to both of you, if there is this requirement, what do you think the result in terms of employment will be? Will you have a substantial reduction of your employment?

Mr. KUTTAB. For me presently we have a high turnover rate in our business. And in the whole industry we have that problem. I believe that having this matter resolved, which is one of the biggest problems our employees have in dealing with our business, would give us the ability to retain the employees on a much longer period. I am not sure how it will impact on part-time employees. We have about 35 percent now that is part-time and we are going to have to wait and see on that. As long as there is a share of cost between jobs, I think that might keep it all together.

You asked earlier if we had any concerns.

Senator WOFFORD. Yes, please. Your answer on the concerns.

Mr. KUTTAB. One of my other activities is having the opportunity to be the president of the Arab American Business Professional Association in the Delaware Valley. And many of our members are small convenient store owners, 7-Elevens, the Sunoco, the gas stations and so forth. They have a real fear of this plan because they see this as an opportunity for the parent companies like the Southland Corporation to pass this cost directly on to them, thus reducing their profit margins and eliminating the sharing of the cost. One of the things that they really wanted me to mention is that you folks look at studying to make sure that parent companies take their share of the cost. Because I think if we don't do that, then there will be really hard laws to small businesses and convenience store owners.

Senator WOFFORD. I read that in your testimony and I will give special care to whole questions of franchises and parent companies dealing with franchise units. The President will be proposing his definition of employer and then Congress will be disposing of what he proposes and we will look at that with care.

On the part-time employment front, the plan proposes pro rata contributions from the employers for the proportion of the time that an employee works. The same proportion of that 80 percent would go to the health alliances which will switch the present incentives which are now in favor of part-time employment instead of full-time employment. It will put that on a more level playing field and it will shift the balance a little bit away from part time employment to full-time employment. But again, the tradeoffs there need to be looked at with care.

I want to thank you both very much. I hope that you and others here today will keep in touch with me and my key staff here. I haven't introduced, Darrel Jodrey, who is head of our health care team, and Dan Solomon is my well named chief economist on my staff. And Russell Redding is my farmer and small business committeeman who has been here but I do not see in the room right now. He is a true farmer himself and a small businessman and he helps me on that committee and work in agriculture. All right. Tim McGrath is my local representative and close colleague and he is the direct way for you to keep in touch on this.

Thank you very much, my witnesses.

I now have the pleasure of introducing Richard Ross. Mr. Ross is a past president of and is here representing the Pennsylvania Chamber of Business and Industry at which I worked very closely when I was Labor and Industry Secretary, today it is Clifford Jones and others. He is the former chairman of the First Eastern Bank and a member of the Pennsylvania Cost Containment Council at which I worked closely and which has been hailed as a model by the President, by Hillary Clinton and often by me. And Jay Niskey is president of Bowman Petroleum in Tunkhannock and will be speaking on behalf of the National Federation of Independent Businesses which I also worked closely in Harrisburg and now am, which you expect, in Washington.

And your full statements will be in the record of this hearing and that's particularly pertinent because you got a very full set of facts put in your statements. I have read with care and appreciate greatly that it is a very valuable set of information that your written statements are given.

Shall we begin with Rick Ross.

**STATEMENT OF RICHARD M. ROSS, JR., PAST PRESIDENT, PENNSYLVANIA CHAMBER OF BUSINESS AND INDUSTRY, DALLAS, PA**

Mr. Ross. Thank you, Senator. The Chamber very much appreciates this opportunity to come and testify before you on this subject. My involvement with the State Chamber on this issue goes back a great many years, actually into the 1970s. We have been vitally interested in this because it has been such an important cost to our members. I was part of the committee that started the Health Care Cost Containment Council and I have been on it since its inception. That was a great learning process about health care costs and the control thereof, it is something that might make a lot of good sense.

Of course, the Chamber is not a stranger to the concerns of small business. The State Chamber and business and industry has changed a good deal over the years as the State of Pennsylvania's economic faces change. No longer are the large smokestack industries predominating, the point that we could say that 68 percent of our members today are small businesses. To get their opinions we work with them, we have a small business council and one of the things that we talked a great deal about is health care costs.

In my other life as a regional banker here in northeastern Pennsylvania, I personally got involved; right, Jay.

Mr. NISKEY. Yes, indeed.

Mr. Ross. I know how fragile some of the local businesses are. I don't think we can stress this too lightly. They have a tremendous challenge in making enough money to keep going. The margins are thin overall, and the small differences in those margins make a big difference in how equitably they can build up. This has always been important if they are to grow, and it's more important now as banking commitments are even harder to come by than they were here.

Small changes in that margin can make the difference between sinking or swimming in the small business. Small businessmen care about health protection. I don't have to testify on that any more than what we just heard from the last two gentlemen that were here. The 80 percent of our small business members do—I heard Secretary Greenberg say that it probably is the proportion throughout the Commonwealth. Do you supply small business benefits? Do they really care about them?

Our State is in a very enviable position. We are fourth best in the country on the number of people covered by various insurance. We are within a half percentage point of Hawaii and that is interesting because we do not mandate these small businesses to have health care plans as it is done in Hawaii.

Obviously, as a representative of small business we feel that anything that is done to force or mandate small business to carry insurance—because if not, they do not carry it. In a perfect world, even in this world, we would prefer to have the cost of health care much better controlled, more so for a small business than anybody else. The force is to make benefits for its employees. I am sure, as a matter of fact I know, small business in many cases have not taken out insurance just because they were afraid of what the cost would be down the line and how much the costs are. I think all businessmen are only somewhat skeptical about a beginning price of anything of what they might have to pay for down the line.

While it was not part of my original testimony, I was interested in some of the things that Secretary Greenberg said and I'm sorry he left. I was a bit confused on what he said between the original plan and the actual legislation that is up before the State of Pennsylvania. There were differences in my understanding of what I had seen in the legislation. And I testified before Senator Hardy Williams on this.

In both the national and the State plan one of the big questions is how much it is going to cost. We hear numbers for the National plan, they may be all over the lot but at least we hear them. We hear absolutely no numbers at all for the State plan, nobody knows



how much that is going to cost. And there are various ways in the State plan that the business will end up paying for a good deal more of it. And I suppose as businessmen one of the things we are most concerned about is that the State Board or whatever the name of the group would be, would only have two business representatives. In a State where 83 percent of the people are covered by plans it seems a shame to me that employers—employers are gentlemen with businesses and employers are not going to be better represented at that level so that they can make sure that the best possible care—businessmen are very interested in the quality of care not just the cost of care, but the best possible care and what the best cost would be. Thank you, Senator.

Senator WOFFORD. Yes, I have been through this. This is for your own company and Bowman Petroleum for the National Federation of Independent Businesses. Give us your views, I was particularly referring to your statement submitted on behalf of the National Federation of Independent Business which is something that we all should study and read. I appreciate it very much. It is critical and it is constructive and it is chosen a considerable common ground and it shows some real differences of approach. So I look forward to hearing you now and making sure your testimony is studied by our several committees I am working on.

**STATEMENT OF JAY NISKEY, PRESIDENT, BOWMAN PETROLEUM COMPANY, TUNKHANNOCK, PA, REPRESENTING THE NATIONAL FEDERATION OF INDEPENDENT BUSINESSES**

Mr. NISKEY. Thank you. Thank you, Senator. On behalf of Bowman, I am Jay Niskey and President of Bowman of Petroleum Company of Tunkhannock which is Wyoming County, we are a rural county here in northeastern Pennsylvania. I thank you for allowing me the opportunity to present this testimony of behalf of not only our company but also the more than 600,000 members, small business members of the National Federation of Independent Business or NFIB on the administration proposed health care plan.

Bowman Petroleum, my company, employees 15 people, 8 of whom are full time employees. We distribute heating oil, propane, diesel fuel, gasoline to service stations, to individuals consumers and commercial accounts in Counties of Wyoming, Susquehanna, Bradford and part of Luzerne County here in northeastern Pennsylvania, so we are a very small company. My company has had health care plan for our employees since our inception in 1968. We have been through several different commercial plans and presently are with Blue Cross/Blue Shield of northeastern Pennsylvania as part of a group plan. We have been with northeastern Blue Cross of Pennsylvania, Blue Cross and Blue Shield for about 4 years. Prior to that we were with a company, a commercial company and we just had to leave that company because of the horrible paperwork that was required both from an employer's standpoint and also an employee's standpoint, the outlay of money prior to being reimbursed by the insurance company it was just a nightmare. And as a small company we just could not handle that inordinate amount of paperwork.

We made this plan, this Blue Cross/Blue Shield and major medical, available to our employees and their dependents at no cost to the employee. We paid the entire premium. This is for our full-time employees, not available for our part-time employees unless they wish to participate and pay 100 percent of the cost. Even so with only 15 employees, 8 of whom are full-time my cost of health care is 15.2 percent of my payroll for the year ending June 30, 1993. This has increased 18 percent over the last 3 years. This percentage is distorted as only five of the eight full-time employees are covered by our group plan.

The other three employees are covered by their spouses' health care plan and if they were included, then my percentage it would increase to 25.98 percent of my payroll.

Prior to being insured with Blue Cross/Blue Shield, as I said, I was with Travelers and even though the cost was less I had to pay for the labor of trying to administer the program. Some of my competitors do not offer a plan such as we do, therefore, we do have a higher cost of doing business. But I believe this benefit is one of the reasons that I have employees who have long service and tenure with our company. Two of my employees have been with me more than 20 years, one has been with me over 15 and 3 have been over 5 years. So I have a continuity, I have stability.

We believe the plan has certain merits. Some of those are that the self-employed individuals may take permanent 100 percent deductions for their health care premium rather than the 25 percent of temporary deduction now. I think the purchasing groups which have been talked about, created to enable small businesses and individuals to band together to purchase insurance more affordably would certainly be positive. Paperwork as I mentioned, administrative simplification, Secretary Greenberg talked about it also including standard forms and claims and reimbursement, enrollment in plan visits, electronic networks that we talked on, the data transmission of recordkeeping will keep the cost down in these compliances.

Medical liability reform which is something that hasn't been talked about yet today, I don't think, while it needs to be strengthened, I think we will create an alternative that we the mechanism that we need in the health care plan limit attorney fees to include collateral, a source rule and award a reduced amount recovered from other sources. I think the medical liability is an item that we really need to pay attention to in the plan.

There are some areas in the plan that do trouble me and I must tell you, I think we have heard it already. I have difficulty in trusting the government.

Senator WOFFORD. I do, too.

Mr. NISKEY. My business is constantly hammered with Occupational Safety and Health Administration, the Internal Revenue Service, the excise tax from the State and with this, that and the other we believe that we understand the program and two minutes later it changes. And I am very concerned that the honesty and the numbers that are put forth in the Clinton plan are true.

I must admit, you know, my concern about the 7.9 percent today could be 25 percent tomorrow. And that I think is one of my biggest concerns that is troubling me.



Some of the other items that concern me is that, yes, we were required to pay 80 percent of the premiums for all our employees and their dependents. It also includes part-time and seasonal employees and that is very heavy in our business. We have a lot of part-time, a lot of seasonal employees and that is troubling to me, that's an added cost that I do not have at this point. The payment calculations are complicated and cumbersome. The employers must now, with the plan, calculate payments based on four categories of family status and so forth. And I must tell you, I have a lot of difficulty in trying to bring all these numbers together to come out, 80 percent of family premium divided by the average number of workers per family for that region. I mean it really gets complicated and I hope there's some great mathematicians who can help me in that.

While we started with purchasing groups, included in the proposal, they appear to have turned into quasi governmental monopolies with broad regulatory powers, that really concerns me. I think that has been talked about in the previous panel.

The President's proposal, while placing a heavy burden on small business appeared to be a boon for large corporations. We talked about it a little bit in the last panel, you've talked about it with regard to the health obligation for early retirees 55 to 65. This could be transferred from corporations to the American taxpayers as I understand the program. And the overall health insurance cost would be significantly reduced to the big business community. I do not have that ability.

I appreciate very much the opportunity to come and testify before you today and look forward to being a part in this plan, I think it is needed. I think that we have got to have some goals and I think that we can meet on common ground.

Senator WOFFORD. Thank you. Forgive me for expanding that common ground by one item. I think I read that in your statement that you did not include.

But in fairness you did not include all your criticisms either. But it is an important element of the common ground, the insurance reforms. You may have stated it, but you, in the written statement, are supporting a guaranteed coverage regardless of health status, elimination of pre-existing condition, limitation adjusted community rating as to those individual experiences per company and guaranteed affordability of coverage. Two years ago I would not have thought we would have a common ground on that myself in this country. I think we have it now.

Mr. NISKEY. I agree with you that I think it is a very important part and I apologize for leaving it out. There are a lot of things that I didn't want to extend the time.

Senator WOFFORD. I appreciate your brevity.

Mr. NISKEY. I must tell you that I personally have some experience in that and I would hate to be the canceled person in my group at the present time because of my current health condition. I don't see that happening, I would hope that it doesn't happen. If it does happen I hope somebody is standing by to catch me because it is a very expensive situation and one which has been going on for 2 years. I think cancellation can easily be handled and I think that is a matter of a stroke of the pen and mandating noncancel. I think it

is a stroke of the pen and it says you must talk about pre-existing concerns and so forth. Then once insurance companies understand that they can adjust their rates accordingly. But I think we need that as part of it.

Senator WOFFORD. Well, you have made another point that I think is very important, that there is some elements of the common ground that you got and to the point will be in any plan that goes through this Congress that can start right away that does not have to be phased in over 2 or 3 or 4 years. And the pre-existing condition exclusion, the ones you have just listed can be gone by, you said, the stroke of a pen, by a stroke of the legislative pen and the presidential pen.

Mr. NISKEY. Exactly.

Senator WOFFORD. My own life has exactly that kind of fear because of my wife and her medical condition. If I had lost my job, which I was running for 2 years ago, and I would very fast not be able to pay a mortgage on our house because of her pre-existing condition. And that kind of fear is what drove the issue in this State, it was not the fact that there are 8 or 9 percent of the people in Pennsylvania were not covered. What percent do you estimate are not covered because if Hawaii was here, Rick—but along with all the other numbers crunching and questioning that we would do in the next six months, rise up and I think they claim they are not, 99 percent coverage. And I think Pennsylvania is one of the States with the highest proportion of people covered but I think it is estimated between 8 or 9 percent.

Mr. Ross. That is the number I come up with as of my authority as to where we are versus Hawaii that was in the Blue Shield's annual report.

Senator WOFFORD. Well, that is very good.

Mr. Ross. We have been confident of those fellows and I did not hear of those numbers for Hawaii that you are saying.

Senator WOFFORD. I have had a temptation to go to Hawaii and explore the whole matter there.

Mr. Ross. I will go with you.

Senator WOFFORD. I am not going to yield to temptation, I will tell you that. But the other thing to look at in Hawaii is what year did they have the universal employer mandate, 1974? Anyway in the 1970s and instead of any discounts or any phasing in they just did it and for those that are concerned, as people should be, about the affect on small business, I have been probing for months and months, over a year now, a lot of sources in Hawaii as to what the affect on small business in Hawaii was for that universal mandate. And they seem to have mastered it without any evidence that has been given, maybe the Federation can give me some counter-information.

Mr. NISKEY. I think we can. I think we have done studies there and we will be glad to supply you with that I am sure.

Senator WOFFORD. Please.

Mr. Ross. You also have to say that is a very special economy because of its geographical location.

Senator WOFFORD. Yes. But one of the cases for being different is that there is a sea around it and there was no other State that

businesses could go to. But if it is a universal requirement in all the States, than we are all in the same sea in a sense.

Mr. Ross. If the price of the goods retailed there versus somewhere nearby has a natural—they are insulated and some of State they would not be.

Senator WOFFORD. The other interesting thing from Hawaii for me throughout this has been, where they have all this universal coverage, universal employment participation and the people are able to chose, 55 percent are still choosing the cheaper service Blue Cross/Blue Shield plans and 45 percent are choosing health maintenance organization managed care. Mainly the Kaiser Permanente health maintenance organization which is one of the best in the country. And I think that is a point for us to ponder. The one difference between the Governor's plan and the President's, as I understand it is that the Clinton plan says that every regional alliance must make sure there is at least one fee for service, chose your own doctor and plan. I do not think that is in the Pennsylvania plan. I think the Pennsylvania plan presses everyone toward managed care. I do not know what you think about that but I do not want the government forcing us all with one or another.

Mr. Ross. That is right. The Chamber's point of view of this, the employer wants to pay for a fee for service he has the right to pay for fee for services.

Senator WOFFORD. And what do you think of the other point though of the President's approach, which has been my own, which is that if because we have an employer based system, we ask all employers to contribute or we continue having a majority of employers contributing. If you do not count your three million under five figure, but the majority of the work force is working for employers, the great majority who are contributing either way, the employers are now contributing about 300 billion dollars out of the 900 some billion dollars in this country.

If we move forward with a universal mandate or even continue in our present employer based system, the President's approach and my approach would take off employers, the selecting of plans and the administering of them and the providing of plans and would only require that you contribute the average premium to the purchasing alliance and it would be your employees that would then make the choices. And then the market force would be competing plans bidding for the business of the employees not for your business. Do you prefer having the choice?

Mr. Ross. Senator, as a retired businessman, having watched the business that had been 1,500 employees, the amount of hand-holding that has to be done by human resource department on any one of these questions was, everyone agreed that they were complex. And even if you do not have to have the employer fill out these forms, if the employee has to do it, it seeks the involvement of the employer almost immediately. To me that brings up a bigger piece of doubt than telling me that their prices will stay the same. It just is a part of the human nature, human condition, it is part of what employers feel they have to do. I mean they have to help their employees through these things.

I just cannot believe the paperwork burden is going to be less under the government than somewhere else.



Mr. NISKEY. I would have the same concern because I have experienced that with private insurance, when that employee saw the doctor, prescription, and medical treatment in a hospital, and what have you. When that was completed, or during that period of time, the paperwork came back to our office saying, help me I don't understand, and we had to get involved. I think with regard to the right to choose the doctor, having just gone through that, I was very fortunate in that I was able to seek expert surgical care. Unfortunately outside this area, but I was able to do that. I had the right and I had the ability to pay for that through my insurance carrier.

Now, I am not too sure that I would have that right the ability to have that taken care of. And I would be very concerned about that. When it comes to seeking out the number one surgeon along the east coast. It took me time and expense to find that person but I was able to fit into his schedule and have that coverage.

Senator WOFFORD. In the President's proposal, there would be for every consumer, every employee, a fee for service option so that option would still be there. But I take it you are both answering contrary to your two previous colleagues that on balance you think it is better for the employer to have the choice of plans each year than to give the employee and the consumer the choice?

Mr. Ross. No. I think the employee should have the choice, we had it where I work, here at that health management organization offers as well as fee for services. And I think that is important. Younger families feel better with health management organization offers that one for fee with service. I also think that having that choice brings a degree of competition which is vital to this thing.

Senator WOFFORD. So what you were questioning sharply is whether giving that choice to the alliance will actually be that much simpler for the employer because you think the employer is still going to have to get involved?

Mr. Ross. I don't see that. Somebody is going to get a Calpers somehow, some way or another. What does this really mean.

Senator WOFFORD. Well, when Secretary Bentsen and I went to the small businesses the day after the President's plan, they were assuming that if you have these purchasing alliances that the employees get a menu from the way the Calpers, the California State employment retirement system or the Federal and State plans give a set of choices to the employees, that the employer would really be out of it the way. In the public employee's plans you do not really do much with your employer, you just have that choice that is given you when you deal directly with the—

Mr. Ross. Is not there somebody at Calpers that they can call and discuss this with?

Senator WOFFORD. Yes. Calpers, but not in every business. That is the case that the business people made to Secretary Benson that thousands of us are doing all of this in relation to the plan. If we could push that burden on to the alliance it would take a great administrative load off our daily work. They estimate one business—estimated his top manager was spending half a day a week every week on the plan. And we were saying all over Philadelphia area there are thousands that are doing this. Now, in Calpers they have less than 100 employees, I understand, doing that with managing

some 800,000 members. And businesses do not, the state and local agencies do not themselves have to manage those plans.

Mr. NISKEY. Well, I had a secretary when we were with private insurance carriers who spent, I would say at least a half a day a week working with the few employees that I had trying to sort out claims, dotting the Is and crossing the T's and making sure the blocks were filled in properly just to keep it on some kind of a normal reimbursement schedule. I think that was one of the biggest problems, they were out of pocket for a period of time, somebody had to pay that bill before the insurance company finally processed all that paper and a remittance was made. It was just too burdensome, it cost us more to go with the plan that we are presently in, but it alleviated and freed up the paperwork situation that I was buried in.

Senator WOFFORD. I share, maybe more than you believe, if you are a skeptic about government. Part of what I like in the President's approach which was in my own a year and a half ago is that in some respect it is to get government out of the business of administering health care.

In Medicaid, for example, no longer would the government actually be paying doctors and hospitals and managing it, it would be subsidizing the premiums through the alliance. And the people on Medicaid would have the same health security card, they would have the same range of choice. They would not be distinguished as poor versus rich. And they would have the voucher of their premium. And the one part of the government that worked best for me through college and law school was the GI Bill.

And what was simple about it was that I got, essentially, a voucher and then I made the choice of what college, assuming they would let me in. And this approach does have some Federal rules like the laws on insurance reform, the rules of the game on playing field, but in many respects it takes the government out of the managing.

And I want very much and we would like to work with you and your organizations in Washington and in the State because the States will have to choose the structure to see that those purchasing alliances are representing businesses and consumers. Not representing the providers but representing the consumers of business and the employees and if they are nonprofit corporations rather than government entity.

Mr. NISKEY. Very much. Thank you.

Senator WOFFORD. Jay, let me impress you on one thing. If your costs are as you said, over 15 percent of the payroll and you said higher, you are paying partly now for the cost shifting of the uninsured people, their cost, they go to hospitals and their costs are very extreme because they have not had primary care and preventive care. Their costs are shifted to your companies to the end of the tax rolls in some of the extent. If we got universal insurance that ought to be a factor bringing down, even if you do not think it can go down to 7.9 percent, it ought to be a factor bringing down your costs in that cost shifting, would it not?

Mr. NISKEY. I would think it would, yes. I would think it would. I would look forward to that. I think the other thing that I look forward to as we talked previously was that level playing field with

my competitors. I am selling the same product that they are selling, if you will, a fungable product. And it is a matter of service and a matter of cost. And if I can hold my costs I could be more competitive with a level playing field and make everything a lot easier with fixed costs. But, yes, I think it would.

And I do not know that tomorrow may bring the loss of an employee who presently, his spouse, the one who is insured in another plan—and I may end up hiring a person who would require full health care benefits which would raise my 15 percent as it stands now, and could go as high as almost 26 percent.

Senator WOFFORD. Your testimony of both of you today and for me underscored the fact that this is not an issue of which there are two sides. There is 20 different problems involved with this, 20 times 2 problems involved with it and each of us in our own minds is thinking through the alternatives. Every point you have made today seems to be reasonable and important and, in fact, the difference has not come through this as sharply as I thought they might, but they will. Not necessarily between us but there are going to be very sharp differences and that is part of this process.

The only thing you said that I want to take a little issue with and questioned about is your, in a sense, complaint that the plan changes every two minutes. In a sense I would suggest that is a virtue of a process grant that we had this extraordinary experience for the first time in legislative history and Congress, a major proposal which shared in draft form with Democrats and Republicans instead of just on your own side. And I claim to be, at least, in our task force planning of the process, the first one to say we ought to do it with Republicans and Democrats alike. And share it with the Republicans and Democrats in Congress and then we had that day and a half health care university in which 300 and some Congress persons and Senators first had several hours with Hillary Clinton sending and answering questions and then workshops for 24 hours. We met in many hours. And the New York Times then printed that work draft so that people say it in a state before the President has signed off there. But there it is, New York Times representative, Adam Climar, who you should follow as best you can, paper who is following this issue carefully. And I think press coverage of health care issues suggests that this is going to be the most informed electorate about the problem that we have seen. Just think we have six more months, let us say, of hard work. First, scores of hearings in both Houses and then the mark up, the crafting and the negotiating and then the debates of Congress. And I think you should sort of welcome the fact it is going to change as we go along. I realize that it seems shifting, but we are going to need to try all sorts of different angles and look at problems and find out how to get over them.

Mr. NISKEY. I agree. I do not think any plan can come down with 100 percent of everyone that is going to be, you know, happy with. But I think the process that you are doing and others and the whole program, that we will come to a common ground. And I think it is something that this government and this administration and you are to be complemented for because it would be tough to have it just, here it is, take it or leave it, you are going to have to have it. I would much rather be a part of the formation which I



think we are and I appreciate being a part of, to make it palatable for both sides, but yet accomplish the goal and that is health care.

Senator WOFFORD. Well, after these warm words and kind words to each other, my last question will be sort of a tough one in a sense that I now am puzzled by why you, this is as to both of you, but why you are against the universal mandate. I have tried to think of everything you have just said today and I am not sure it is added up to being against the universal mandate.

Mr. NISKEY. Well, can every employee or can every self-employed be mandated? I am again concerned, who is going to oversee this, who is going to make sure that the individual who is self-employed is a part of it. I really must tell you I don't see any other way than an employer mandate, but I think that is one of the swings that we are slowly coming around on, what we are saying is every employee, every self-employed has got to be part of it. You just cannot leave some of them out there. There are a lot of people out there that are not part of anything who are getting a free ride on whatever comes down the road.

Senator WOFFORD. You put some weight in your testimony on the three million employers of five or less. Are you suggesting that that is quoting your figures, it is only that you say three million firms of five or less where the majority of companies are not now providing health insurance, you estimate as 26 percent.

Mr. NISKEY. Yes. Our poling shows about 74 percent do not offer it, yes.

Senator WOFFORD. Then 5 to 9 employees 50 percent—54 percent are offering it; 10 to 24, 72 percent; 25 and above, 90 percent are offering health insurance now; and 97 percent when you reach 50, when you reach 100 or more it is 99 percent. Those are extraordinary figures I think.

Mr. NISKEY. Yes.

Senator WOFFORD. And that makes me wonder whether your main concern has to do with those three million of the fewer than five employees.

Mr. NISKEY. It is a main concern. They are the smallest business. They are the mom and pops.

They are the real small lawn care type, small business people who are just existing now. They do not drive around in Rolls Royces, they do not have that kind of money. To put this extra cost on them can be devastating.

Senator WOFFORD. But most of the mom and pops of five and less are themselves, at least, having to pay high prices for health insurance coverage?

Mr. NISKEY. If they are individually insured, yes, slightly. I think our numbers are pretty true. We have done a lot of census bureau work. We have been working with health care since somewhere in 1986 in the mandate which we told our people when we started back quite a few years ago. So I think our numbers are believable.

Senator WOFFORD. If you had under five left out that would be subject to individual payments according to income, would a mandate for those five and above be acceptable?

Mr. NISKEY. You are putting me in a tough spot. I think employer mandate is going to come below or above. I think we are going to have to accept it. I think it is a trade-off that we are going to

have to accept. Some of those we've talked about, are some of those we need to have resolved.

Senator WOFFORD. Let our trading be good in the next month. Rick, do you have any last thoughts?

Mr. Ross. Yeah. Senator, I have given a good deal of thought to this and I think you have got to realize that in some way Jay and I are reflecting the views of our constituents. And with the many small businesses that I have talked to about this issue and I have been on the road for a lot of years because I tried to get them interested in the whole subject of this care and they did not want to be interested. And I said you are paying for it. They still did not want to be interested. And that is where I tried to go.

And as you see most of these.

Senator WOFFORD. Not just indigent care but also the preidders in a sense, the businesses where people are not indigent but they are working for employers that do not cover them.

Mr. Ross. Well, we define indigent as anybody the hospital ended up paying for through the course of time. That is what it was. But with them it is more a philosophical issue, is it not, and maybe it is not just health care we have been talking about being mandated. We are seeing an era with restraint on taxes, maybe but not full—not restraint really, taxes creeping up, but we are also seeing an era where more and more responsibilities are put on businesses themselves.

So as far as they are concerned this is one—maybe this is one that has to be done for very important reasons but it may be a precedent for others. And I think that is what it is.

Senator WOFFORD. Well, let us do it well, whatever it is. Let us not let ideology and in some sense even philosophy get in the way of finding a practical way through. Let us look at all the pitfalls. Let us take our time in these next months to do it right.

Mr. Ross. Well, I hear more and more talk, just like Jay did today about being more realistic about it.

Mr. NISKEY. I can remember in our trade association just a few years ago, we pounded the table and said, no government in our business. And now we are saying, let us work with the government, we need protection because we found that unfortunately we were getting regulations whether it be excise tax or what have you, on us that we had no input in. Those sulfur diesel fuel mandates with Environmental Protection Agency, we had no input in that, and it become a very burdensome thing for us that if we would have contributed maybe up front, we could have gotten the law that we could live with easier. I think that this is the same thing.

Senator WOFFORD. Well, I want to pledge to you my effort to make sure that you are in on the take off of this over these next six months. If we can work together in the spirit we have been talking today, I think we can do it.

Thank you all very much.

[The hearing was adjourned.]





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